Budget 2008

THE RIGHT PLAN FOR
TODAY & TOMORROW

Third Quarter Fiscal Update 2008–09

February 2009

Alberta

UPDATING ALBERTANS

The *Third Quarter Fiscal Update* consists of two parts – the updated 2008-09 forecast for the entire fiscal year and the actual results for the first nine months of the fiscal year (April 1 to December 31, 2008).

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2008–09 FORECAST

HIGHLIGHTS

Surplus / Deficit. A deficit of $1.4 billion is forecast, a change of $3 billion from budget and $3.4 billion from second quarter.

Revenue. Forecast at $35.6 billion, a decrease of $3.1 billion from budget and $4.5 billion from second quarter. The decrease mainly reflects investment income losses in the Heritage and endowment funds. The forecast for energy prices and revenue remains above budget.

Expense. Forecast at $37.1 billion, a decrease of $122 million from budget and $1 billion from second quarter. This is mainly due to re-profiling of capital grants to future years, partially offset by higher disaster and emergency funding, primarily for agriculture support.

Allocation of Cash Available. As a result of the forecast deficit, adjustments have been made to the allocations of available cash previously identified:

- Carbon Capture and Storage allocation remains at $2 billion.
- Green TRIP allocation has been reduced from $2 billion to $195 million.
- Capital Account allocation of $1 billion has been eliminated. No capital projects have been cancelled as a result of this.
- Savings allocations of $3.1 billion have been eliminated.

Sustainability Fund. Assets of the Sustainability Fund remain unchanged from the budget estimate of $7.7 billion.

FISCAL SUMMARY [a]

(millions of dollars)

		2008-09			
			3rd Quarter	Change from	
		Budget	Forecast	Budget	2nd Quarter
1	Revenue	38,743	**35,627**	(3,116)	(4,456)
2	Expense [b]	37,175	**37,053**	(122)	(1,027)
3	Surplus (Deficit)	1,568	**(1,426)**	(2,994)	(3,429)
4	Sustainability Fund withdrawal to balance budget	-	**1,426**	1,426	1,426
5	**Adjusted Surplus (Deficit)**	1,568	-	(1,568)	(2,003)
6	**Cash Available For Allocation**				
7	Adjusted Surplus (Deficit)	1,568	-	(1,568)	(2,003)
8	Sustainability Fund withdrawal to balance budget	-	**(1,426)**	(1,426)	(1,426)
9	Cash from 2007-08 4th quarter	49	**928**	879	-
10	Adjustment for Heritage Fund / endowment losses	-	**2,959**	2,959	2,039
11	Cash adjustments [c]	(1,189)	**(166)**	1,023	(191)
12	**Net Amount Available for Allocation**	428	**2,295**	1,867	(1,581)
13	**Allocation**				
14	Savings				
15	Heritage Fund - inflation proofing [d]	279	-	(279)	-
16	Heritage Fund - deposit	19	-	(19)	-
17	Capital				
18	Carbon Capture and Storage	-	**2,000**	2,000	-
19	Green TRIP	-	**195**	195	(1,581)
20	Capital Account	30	-	(30)	-
21	Alberta Enterprise Corporation	100	**100**	-	-
22	**Total Allocation**	428	**2,295**	1,867	(1,581)

[a] Subject to the *Fiscal Responsibility Act*. Does not include changes in results of Crown controlled SUCH sector organizations or in pension obligations. Budget and quarterly numbers have been restated to reflect reporting of external investment management fees as an expense instead of as a reduction to revenue. This increases both revenue and expense by $172 million.

[b] Capital investment is not included in expense. 2008-09 capital investment is forecast at: 2,817 2,682 (135) (136)

[c] Adjustments to the surplus due to cash requirements. Includes retained income of funds and agencies, cash required for capital investment and other cash adjustments, including other net transfers to/from the Sustainability Fund. See page 11 for details.

[d] Inflation proofing is not a legal requirement if the Heritage Fund does not have realized income for the fiscal year.

REVENUE

NON-RENEWABLE RESOURCE REVENUE

Energy prices have exhibited extreme volatility in 2008-09. The oil price increased dramatically early in the fiscal year, peaking at US$147 per barrel in July 2008, but has since steadily declined, reaching lows of about US$34 per barrel.

For the full fiscal year, oil and natural gas prices are still expected to average higher than budget estimates. As a result, and in combination with a lower-than-expected Canadian-US dollar exchange rate, resource revenue is forecast to exceed the budget estimate. However, this is significantly below the first and second quarter forecasts.

Non-renewable resource revenue is forecast at $12.3 billion, $580 million higher than the budget estimate, but $2.3 billion lower than the second quarter forecast and $6.5 billion lower than first quarter.

Total oil royalties are forecast at $4.9 billion, $68 million lower than budgeted. The oil price is now expected to average US$85.50 per barrel for 2008-09, $7.50 higher than the budget estimate, but $8.00 less than the second quarter forecast. Prices have averaged US$94.85 over the April to January period. Higher operating costs and lower production relative to budget estimates for oil sands account for the decrease in revenue from budget.

Natural gas royalties are forecast at $6 billion, $325 million higher than budgeted. The Alberta Reference Price is now expected to average Cdn$7.00 per gigajoule (GJ), 25 cents higher than the budget estimate, but 50 cents lower than the second quarter forecast. Prices have averaged Cdn$7.47/GJ over the April to January period.

Revenue from bonuses and sales of Crown leases is forecast at $1.2 billion, $285 million higher than budgeted, due to higher conventional and oil sands lease sales. This is $250 million lower than at second quarter.

TAX REVENUE

Personal income tax revenue is forecast at $8.6 billion, basically unchanged from budget, but $151 million lower than second quarter. Revised assessment data for the 2007 tax year results in a positive prior years' adjustment of $138 million and increases the base for the current-year forecast. However, the poor economic outlook lowers the forecast and offsets these increases.

Corporate income tax revenue is forecast at $3.8 billion, unchanged from budget and second quarter forecasts. Strong corporate profits and cash collections early in the fiscal year are anticipated to reverse toward the end of the year, due to the global economic deterioration and drop in energy prices.

Other tax revenue is forecast at $3.6 billion, $146 million lower than the budget estimate and $119 million lower than second quarter. Decreases in tobacco and fuel taxes, from lower-than-expected consumption, and in freehold mineral rights tax, due to lower-than-expected prices for calculating the tax, are partly offset by increases in insurance taxes, mainly from revised cash and 2007 premiums data, and education property tax, from supplemental assessments and revisions to relative shares of opted and non-opted out board revenue.

TRANSFERS FROM GOVERNMENT OF CANADA

Federal transfers are forecast at $4.3 billion, $497 million higher than budget and $395 million higher than second quarter. Health transfers have increased due to a $266 million prior years' adjustment, lower Alberta tax yields which increases the cash component, and an increased share of the national population. A prior years' adjustment has increased the Canada Social Transfer, while agriculture transfers are up mainly due to production insurance premiums. These increases are partly offset by deferrals in Canada ecoTrust Clean Air and Climate Change projects and several other programs.

INVESTMENT INCOME

Investment income is forecast at negative $1.9 billion, a change of $3.9 billion from the budget estimate of $2 billion in revenue. The global liquidity and credit crisis, and corresponding global recession, contributed to a severe decline in world equity markets and a substantial drop in the value of investments.

Heritage Fund and endowment funds are forecast to lose $3 billion of their book value, a $3.9 billion change from the $969 million in realized income forecast in the budget. The losses are due to write-downs of assets and realized equity losses.

Other investment income is forecast at $1.1 billion, $45 million higher than budgeted. Higher rates of return and balances in shorter-term savings funds and accounts are partially offset by lower-than-expected lending activity of Alberta Capital Finance Authority and Agriculture Financial Services Corporation.

OTHER REVENUE

Total revenue from other sources is forecast at $4.9 billion, $165 million lower than budgeted, and $171 million lower than second quarter. The decrease is due primarily to provision for losses on asset backed commercial paper of Alberta Treasury Branches.

REVENUE

(millions of dollars)

	2008-09				
		3rd Quarter	Change from		
	Budget	Forecast	Budget	2nd Quarter	Main Reasons for Change from Budget
Income Taxes					
Personal income tax	8,614	**8,615**	1	(151)	Prior years' adjustments
Corporate income tax	3,774	**3,774**	-	-	
	12,388	**12,389**	1	(151)	
			-	-	
Other Taxes					
School property tax	1,450	**1,462**	12	12	Lower proportion of opted-out boards
Tobacco tax	890	**840**	(50)	-	Lower-than-anticipated consumption
Fuel tax	775	**725**	(50)	(5)	Lower-than-anticipated consumption
Freehold mineral rights tax	318	**241**	(77)	(128)	Lower-than-expected tax calculation prices
Insurance taxes	263	**281**	18	2	Higher-than-anticipated cash receipts
Tourism levy	74	**75**	1	-	Higher rates / hotel stays
	3,770	**3,624**	(146)	(119)	
Non-Renewable Resource Revenue					
Natural gas and by-products royalty	5,684	**6,009**	325	(1,067)	Higher price / lower exchange rate
Crude oil royalty	1,601	**1,706**	105	(439)	Higher price / lower exchange rate
Synthetic crude oil and bitumen royalty	3,402	**3,229**	(173)	(511)	Lower production / higher operating costs
Coal royalty	14	**34**	20	(5)	Higher prices
Bonuses and sales of Crown leases	868	**1,153**	285	(250)	Higher conventional / oil sands lease sales
Rentals and fees	140	**158**	18	5	Increased oil sands leased hectares
	11,709	**12,289**	580	(2,267)	
			-	-	
Transfers from Government of Canada					
Health transfers	1,604	**2,087**	483	419	Prior years' adjustments
Canada Social Transfer	1,121	**1,207**	86	79	Prior years' adjustments
Agriculture support programs	333	**348**	15	(25)	Production insurance premiums
Other	737	**650**	(87)	(78)	Canada ecoTrust deferral
	3,795	**4,292**	497	395	
			-	-	
Net Income from Commercial Operations					
Alberta Gaming and Liquor Commission:					
Gaming and lottery revenue	1,516	**1,516**	-	(20)	
Liquor revenue	680	**680**	-	-	
Alberta Treasury Branches	262	**26**	(236)	(184)	Asset backed commercial paper provision
Other	7	**7**	-	(1)	
	2,465	**2,229**	(236)	(205)	
Investment Income					
Alberta Heritage Savings Trust Fund [a]	842	**(2,412)**	(3,254)	(1,612)	Weak equity markets
Endowment Funds:					
Medical Research [a]	63	**(258)**	(321)	(200)	Weak equity markets
Science and Engineering Research [a]	33	**(142)**	(175)	(111)	Weak equity markets
Scholarship [a]	31	**(147)**	(178)	(116)	Weak equity markets
Alberta Capital Finance Authority	329	**285**	(44)	(44)	Lower lending activity
Agriculture Financial Services Corporation	111	**102**	(9)	3	Lower lending volumes
Sustainability Fund	205	**250**	45	-	Higher rates of return
Debt Retirement Account	62	**70**	8	5	Higher rates of return
Capital Account	185	**215**	30	(30)	Higher rates of return / balance
Other	150	**165**	15	(38)	Higher balances
	2,011	**(1,872)**	(3,883)	(2,143)	
Premiums, Fees and Licences					
Health care insurance premiums	752	**764**	12	2	Increased number of registrants
Motor vehicle licences	365	**379**	14	-	Increase in vehicle registrations
Crop and hail insurance premiums	171	**213**	42	(3)	Higher participation
Timber rentals and fees	38	**33**	(5)	(4)	Mountain pine beetle infestations
Land titles	80	**64**	(16)	(4)	Weaker real estate market
Other	416	**424**	8	6	Miscellaneous changes
	1,822	**1,877**	55	(3)	
Other					
Refunds of expense	109	**121**	12	7	Miscellaneous changes
Climate Change and Emissions Management	92	**92**	-	-	
Fines and penalties	110	**111**	1	1	Revised forecast
Miscellaneous [a]	472	**475**	3	29	Miscellaneous changes
	783	**799**	16	37	
Total Revenue	38,743	**35,627**	(3,116)	(4,456)	

[a] Budget and quarterly numbers have been restated to reflect reporting of external investment management fees as an expense instead of as a reduction to revenue. This increases both revenue and expense by $172 million.

EXPENSE

TOTAL EXPENSE

Total expense is $122 million lower than the budget estimate, and $1 billion lower than the second quarter forecast. Changes from budget consist of:

- $467 million additional disaster/emergency assistance;
- $177 million increase in operating expense;
- $644 million decrease in capital grants;
- $98 million decrease in natural gas rebates;
- $24 million decrease in amortization/debt servicing costs.

SUSTAINABILITY FUND

Disaster/Emergency Assistance – A total of $517 million is being provided, comprising $305 million for livestock industry support, $117 million for forest fire-fighting costs, $65 million to combat mountain pine beetle infestations (of which $50 million was budgeted) and $30 million for municipal flooding and wildfire assistance programs.

Natural Gas Rebates – $227 million in natural gas rebates are now forecast, $98 million lower than budgeted and $153 million lower than the second quarter forecast, due to the revised, lower forecast for natural gas prices in several of the winter months.

CAPITAL ACCOUNT

Capital grants have been reduced by $644 million from budget, and $726 million from the second quarter forecast. Funding from the Capital Account has decreased $565 million from budget and $684 million from second quarter. Most of the decrease in capital grants reflects re-scheduling of projects, primarily in Health and Wellness, and the lapse in the provision for cost escalation.

MINISTRY EXPENSE CHANGES

Agriculture and Rural Development – $388 million net increase. Main changes from budget include increased livestock industry disaster support, higher-than-expected claims related to prior year income support programs and increased hail insurance payments.

Employment and Immigration – $55 million net increase, primarily for increased caseloads and costs-per-case in income supports and health benefits programs, and the income supports rate increase.

Environment – $75 million decrease, reflecting a $52 million deferral of initiatives under the Canada ecoTrust for Clean Air and Climate Change and a $23 million reduction in capital grants due to lower-than-expected 2007-08 Climate Change and Emissions Management Fund revenue.

Finance and Enterprise – $72 million decrease, consisting of a $44 million reduction in Alberta Capital Finance Authority debt servicing costs, $14 million in Community Development Trust Fund transfers to other ministries, and a net $14 million in other lapses.

Health and Wellness – $248 million net decrease. The increases of $97 million for health authority net accumulated deficit elimination and $80 million for transition costs related to moving to a single health authority, are offset by a net $407 million re-scheduling of capital grants to future years and a net $18 million lapse in other areas. In addition, $200 million has been reallocated from a number of programs to the health authorities.

Housing and Urban Affairs – $55 million increase, mainly for the Homeless and Eviction Prevention Fund and Direct to Tenant Rent Supplement Program.

Infrastructure – $148 million net decrease, comprising a $98 million decrease in natural gas rebates, $38 million in Capital for Emergent Projects lapses and transfers to other ministries, $20 million reallocated from capital expense to capital investment and a net $8 million in other increases.

Justice – $69 million net decrease. This includes re-profiling $50 million of Crime Reduction and Safe Communities initiatives to future years, $14 million transferred to other ministries for this initiative, and a $5 million lapse in certain legal services.

Seniors and Community Supports – $53 million decrease, consisting of $22 million from lower-than-expected AISH caseload growth, $21 million from delays in building designated assisted living units, and $10 million from lower take-up in other seniors programs.

Sustainable Resource Development – $128 million net increase. Increases of $117 million for forest fire-fighting costs and $15 million for combating mountain pine beetle infestations, are slightly offset by a net $4 million in lapses.

Transportation – $94 million increase primarily for Wood Buffalo Region water infrastructure capital grants, including $9 million reallocated from capital investment to capital expense.

Provision for Capital Cost Escalation – $189 million reduction consisting of $28 million reallocated to ministries and a $161 million lapse.

Other Ministries – $12 million net increase. Increases of $80 million mainly related to higher First Nations casino revenue, post-secondary institution capital grants and municipal flooding and wildfire assistance programs, are partially offset by $63 million in lapses, primarily from the termination of the National Portrait Gallery project and re-scheduling of school capital grants, and $5 million in lower debt servicing costs.

EXPENSE SUMMARY

(millions of dollars)

	2008-09			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Program Expense				
Operating expense	29,941	**30,177**	236	(8)
Capital grants	5,904	**5,260**	(644)	(726)
Natural gas rebates	325	**227**	(98)	(153)
Disaster/emergency assistance	50	**517**	467	(11)
Capital amortization and nominal sum disposals	735	**716**	(19)	(17)
Dedicated revenue / operating expense net increases [a]	-	**(59)**	(59)	(109)
Total Program Expense	36,955	**36,838**	(117)	(1,024)
Debt Servicing Costs	220	**215**	(5)	(3)
Total Expense	37,175	**37,053**	(122)	(1,027)

[a] Dedicated revenue/operating expense changes – Aboriginal Relations: $32m for First Nations Development Fund; Culture and Community Spirit: $16m for bingos and horse racing; Education: $11m for opted-out/non-opted out school board revenue and the Learning Resource Centre; Employment and Immigration: $20m net decrease for Labour Market Agreement; Environment: $13m deferral of ecoTrust spending; Finance and Enterprise: net $43m from lower ACFA activity; a net $10m in other decreases.

EXPENSE BY MINISTRY

(millions of dollars)

	2008-09				
		3rd Quarter	Change from	2nd	Main Reasons for
	Budget	Forecast	Budget	Quarter	Change from Budget
Program					
Legislative Assembly	91	**90**	(1)	(3)	
Aboriginal Relations	117	**150**	33	-	First Nations Development Fund grant
Advanced Education & Technology	3,425	**3,443**	18	(18)	Capital grants
Agriculture and Rural Development	1,010	**1,398**	388	41	Livestock industry support
Children and Youth Services	1,098	**1,098**	-	-	
Culture and Community Spirit	553	**519**	(34)	(50)	National Portait Gallery termination
Education	5,848	**5,839**	(9)	(59)	School capital projects
Employment and Immigration	920	**975**	55	49	Income supports and health benefits
Energy	403	**403**	-	1	
Environment	403	**328**	(75)	(52)	Deferral of ecoTrust projects
Executive Council	30	**30**	-	-	
Finance and Enterprise [a]	1,175	**1,103**	(72)	(49)	Community Development Trust / ACFA
Health and Wellness	13,230	**12,982**	(248)	(391)	Capital grants
Housing and Urban Affairs	574	**629**	55	-	Eviction prevention / rent supplement
Infrastructure	964	**816**	(148)	(194)	Natural gas rebates
International and Intergovernmental Relations	29	**29**	-	-	
Justice	523	**454**	(69)	(62)	Crime Reduction and Safe Communities
Municipal Affairs	691	**718**	27	(1)	Flood / wildfire assistance
Seniors and Community Supports	1,914	**1,861**	(53)	(53)	AISH caseloads / seniors program lapses
Service Alberta	295	**295**	-	-	
Solicitor General and Public Security	583	**585**	2	(4)	Transfer from Justice
Sustainable Resource Development	375	**503**	128	(10)	Forest fire-fighting costs
Tourism, Parks and Recreation	248	**245**	(3)	(3)	Nominal sum disposal lapse
Transportation	2,199	**2,293**	94	9	Capital grants
Treasury Board	68	**52**	(16)	(14)	Capital grants
Provision for capital cost escalation	189	-	(189)	(161)	Not required
Total Program Expense	36,955	**36,838**	(117)	(1,024)	
Debt Servicing Costs	220	**215**	(5)	(3)	Lower interest rates and borrowing
Total Expense	37,175	**37,053**	(122)	(1,027)	

[a] Budget and quarterly numbers have been restated to reflect reporting of external investment management fees as an expense instead of as a reduction to revenue. This increases both revenue and expense by $172 million.

CAPITAL PLAN

2008-09 Capital Plan spending is forecast at approximately $7.9 billion, $779 million lower than budgeted and $862 million less than the second quarter forecast, due mainly to changes in construction schedules and the lapse of the remaining capital cost escalation provision.

Municipal Infrastructure Support – $1.6 billion, $2 million higher than the budget estimate, due mainly to $4.5 million of Municipal Sustainability Initiative grants being reflected as capital instead of operating expense, offset by a $2.5 million lapse in tank site remediation.

Provincial Highway Network – $2 billion, an increase of $99 million from budget and $137 million from second quarter. The re-profiling of funding related to the ring roads is now more than offset by acceleration of rehabilitation work and Anthony Henday ring road construction, enabled by favourable weather conditions.

Health Facilities and Equipment – $979 million, $396 million lower than budgeted, primarily due to re-scheduling of capital grants to future years.

Post-secondary Facilities – $880 million, a $39 million increase from budget, reflecting $30 million for the SAIT Trades and Technology Complex and $9 million in Capital for Emergent Projects transfers.

Schools – $609 million, a decrease of $15 million from budget and $69 million from second quarter. Increases mainly for modular classrooms and cost escalation on projects are now more than offset by re-profiling funding for the school P3 project to future years.

Community Facilities – $365 million, a decrease of $161 million from budget. Decreases for changes to the Royal Alberta Museum construction schedule and for the National Portrait Gallery bid termination are slightly offset by a $10 million increase for the Art Gallery of Alberta funded through the Building Canada Fund.

Water and Wastewater Management – $346 million, $86 million higher than budget, primarily for Wood Buffalo Region and irrigation rehabilitation projects.

Housing – $413 million, a $4 million increase from budget, mainly reflecting Capital for Emergent Projects transfers.

Government Facilities, Equipment and Other Capital – $665 million, a decrease of $104 million from budget and $222 million from second quarter. Previously announced increases for a number of projects are now more than offset by re-profiling of various projects to future years, including those funded under Canada ecoTrust.

Capital for Emergent Projects – $106 million, $24 million lower than budget. A $16 million increase from carried-over 2007-08 funding is more than offset by a net $25 million reallocated to other Capital Plan envelopes and a $15 million lapse.

Provision for Capital Cost Escalation – $27 million was allocated, primarily to school and health projects. The remaining $282 million is being lapsed.

CAPITAL PLAN SUMMARY

(millions of dollars)

		2008-09		
		3rd	Change from	
	Budget	Quarter Forecast	Budget	2nd Quarter
Municipal infrastructure support	1,626	**1,628**	2	4
Provincial highway network	1,852	**1,951**	99	137
Health facilities and equipment	1,375	**979**	(396)	(380)
Post-secondary facilities	841	**880**	39	6
Schools	624	**609**	(15)	(69)
Community facilities	526	**365**	(161)	(38)
Water and wastewater management	260	**346**	86	5
Housing	409	**413**	4	2
Government facilities, equipment and other capital	769	**665**	(104)	(222)
Capital for emergent projects	130	**106**	(24)	(25)
Provision for capital cost escalation	309	-	(309)	(282)
Total Capital Plan	8,721	**7,942**	(779)	(862)
Capital Plan				
Current-year revenue	1,661	**1,626**	(35)	20
Capital Account	6,865	**5,834**	(1,031)	(810)
Alternatively financed	195	**482**	287	(72)
Total Capital Plan	8,721	**7,942**	(779)	(862)

NET FINANCIAL AND CAPITAL ASSETS

Net Assets – Net assets at March 31, 2009 are forecast at $41.7 billion, a decrease of $5.4 billion from budget and $4 billion from March 31, 2008. This includes capital assets of $16.1 billion.

Deterioration in global economic conditions and financial markets have lowered the value of a number of financial assets and increased pension obligations. As a result of the weakened fiscal situation, allocations of cash available reported previously, to savings, the Capital Account, and other funds, are now lower or have been eliminated.

Heritage Fund – Net book value of assets forecast at $13.9 billion, $2.5 billion lower than March 31, 2008, reflecting write-downs of assets and realized losses. As it is contingent on Fund income, inflation-proofing will not occur in 2008-09.

Endowment and Other Funds – Total assets forecast at $3.1 billion, down $699 million from March 31, 2008, reflecting write-downs of assets and realized losses.

Capital Account – Total assets forecast at $7 billion, $498 million less than March 31, 2008, but $1 billion higher than the budget estimate. The decrease from 2008 reflects net withdrawals to support capital spending, while the increase from budget reflects lower withdrawals than expected due to re-profiling of projects to future years.

Carbon Capture and Storage and Green TRIP – $2 billion has been allocated to Carbon Capture and Storage and $195 million to Green TRIP. Funding of projects is expected to start in 2009-10.

Pension Obligations – Forecast to be $10.5 billion at March 31, 2009, an increase of $2.6 billion from 2008. Approximately $700 million of the increase relates to equity market losses. Pension accounting standards permit amortizing the total losses over a number of future years. The remaining $1.9 billion increase is due to using a lower discount rate to calculate the pre-1992 Teachers' Pension Plan liability, as the previous rate was deemed too high.

BALANCE SHEET

(millions of dollars)

	at March 31				
	2008	2009			
			3rd Quarter	Change from	
	Actual	Budget [a]	Forecast	Budget	2008 Actual
Financial Assets					
Heritage Fund equity	16,412	16,710	**13,927**	(2,783)	(2,485)
Self-supporting lending organizations	7,950	8,841	**9,049**	208	1,099
Alberta Sustainability Fund	7,653	7,653	**7,653**	-	-
Endowment and other funds [b]	3,783	3,737	**3,084**	(653)	(699)
Capital Account	7,472	5,973	**6,974**	1,001	(498)
Carbon Capture and Storage	-	-	**2,000**	2,000	2,000
Green TRIP	-	-	**195**	195	195
Equity in commercial enterprises	2,262	2,386	**2,250**	(136)	(12)
Debt Retirement Account	1,794	1,170	**1,175**	5	(619)
Other financial assets	8,602	9,301	**7,325**	(1,976)	(1,277)
Total Financial Assets	55,928	55,771	**53,632**	(2,139)	(2,296)
Liabilities					
Accumulated debt	1,784	1,160	**1,160**	-	(624)
Pension obligations	7,883	8,070	**10,453**	2,383	2,570
Self-supporting lending organizations	7,251	8,048	**8,508**	460	1,257
Liabilities for alternatively financed capital projects	439	634	**916**	282	477
Other liabilities	7,044	7,065	**7,030**	(35)	(14)
Total Liabilities	24,401	24,977	**28,067**	3,090	3,666
Net Financial Assets	31,527	30,794	**25,565**	(5,229)	(5,962)
Capital Assets	14,140	16,254	**16,106**	(148)	1,966
Net Assets	45,667	47,048	**41,671**	(5,377)	(3,996)
Adjustment for pension obligations	7,883	8,070	**10,453**	2,383	2,570
Net Assets for Fiscal Policy Purposes [c]	53,550	55,118	**52,124**	(2,994)	(1,426)

[a] Budget numbers have been restated to reflect 2007-08 actual results.

[b] Includes the Medical Research Endowment Fund, Science and Engineering Research Endowment Fund, Scholarship Fund, Alberta Cancer Prevention Legacy Fund, Energy Innovation Fund, Climate Change and Emissions Management Fund and Alberta Enterprise Corporation.

[c] Under the *Fiscal Responsibility Act*. Excludes pension obligations and net assets of Crown-controlled SUCH sector organizations.

2008–09 FISCAL YEAR ASSUMPTIONS AND SENSITIVITIES [a]

(millions of dollars)

	Sensitivities 2008-09 Annual Change	$ millions Net Change	Assumptions Budget	3rd Quarter Forecast	*Sensitivities Post Jan 2009[c] Net Change*
Oil Price WTI (US$/bbl) [b]	-$1.00	-130	78.00	**85.50**	-235
Natural Gas Price (Cdn$/GJ)	-10 cents	-114	6.75	**7.00**	-158
Exchange Rate (US¢/Cdn$)	+1 cent	-210	98.8	**89.9**	-274
Interest Rates:	+1%	-196			
3-month Canada treasury bills			2.50	**1.80**	
10-year Canada bonds			3.50	**3.35**	
Personal Income	-1%	-90	7.8%	6.2%	
Corporate Taxable Income	-1%	-78	-0.8%	-7.1%	

[a] Sensitivities based on prices and rates forecast at budget.

[b] Alberta Wellhead Oil Price (Cdn$/bbl) 69.97 81.67

[c] 2008-09 sensitivities include 9 months under the current royalty regime and 3 months under the new regime. After January 1, 2009, sensitivities for an entire fiscal year will increase as shown.

NET FINANCIAL REQUIREMENTS [a]

(millions of dollars)

	2008-09 Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter
Requirements:				
General Revenue Fund term debt maturities	550	**550**	-	-
School construction loan repayments	52	**52**	-	-
Alberta Social Housing Corporation debt repayment	22	**22**	-	-
Accumulated debt financing requirements	624	**624**	-	-
Agriculture Financial Services Corporation term borrowing requirements	285	**334**	49	(50)
Gross financing requirements	909	**958**	49	(50)
Cash applied to accumulated debt repayment	(624)	**(624)**	-	-
Net Term Debt Financing Requirements	285	**334**	49	(50)
Term debt financing completed to date	-	**334**	334	-

[a] Does not include alternative financing for government or financing requirements of Alberta Capital Finance Authority or ATB Financial.

CAPITAL ACCOUNT

(millions of dollars)

	2007-08	2008-09			
	Actual	Budget	3rd Quarter Forecast	Change from Budget	Change from 2007-08 Actual
Assets at Start of Year	*6,091*	7,472	**7,472**	-	1,381
Allocations to Capital Account:					
Actual / budgeted	*5,555*	5,336	**5,336**	-	(219)
From 2007-08 4th quarter results	-	30	-	(30)	-
Total allocations	5,555	5,366	**5,336**	(30)	(219)
Withdrawals:					
Capital grants to local authorities	*(3,012)*	(4,791)	**(4,226)**	565	(1,214)
Government-owned capital investment	*(1,162)*	(2,074)	**(1,608)**	466	(446)
Total withdrawals	*(4,174)*	(6,865)	**(5,834)**	1,031	(1,660)
Assets at End of Year	*7,472*	5,973	**6,974**	1,001	(498)

CAPITAL GRANTS TO LOCAL AUTHORITIES AND OTHER INFRASTRUCTURE SUPPORT [a]

(millions of dollars)

	2008-09			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Legislative Assembly	-	-	-	-
Aboriginal Relations	-	-	-	-
Advanced Education and Technology	835	**874**	39	6
Agriculture and Rural Development	40	**37**	(3)	(6)
Children and Youth Services	15	**15**	-	-
Culture and Community Spirit	270	**240**	(30)	(32)
Education	624	**607**	(17)	(67)
Employment and Immigration	4	**4**	-	-
Energy	2	**2**	-	-
Environment	157	**95**	(62)	(39)
Executive Council	-	-	-	-
Finance and Enterprise	6	**6**	-	-
Health and Wellness	1,305	**898**	(407)	(378)
Housing and Urban Affairs	312	**314**	2	-
Infrastructure	123	**68**	(55)	(48)
International and Intergovernmental Relations	-	-	-	-
Justice	-	-	-	-
Municipal Affairs	461	**463**	2	5
Seniors and Community Supports	96	**96**	-	-
Service Alberta	-	-	-	-
Solicitor General and Public Security	5	**1**	(4)	(4)
Sustainable Resource Development	-	-	-	-
Tourism, Parks and Recreation	72	**72**	-	-
Transportation	1,373	**1,468**	95	10
Treasury Board	15	-	(15)	(12)
Provision for capital cost escalation	189	-	(189)	(161)
	5,904	**5,260**	(644)	(726)
Funded from the Capital Account	4,791	**4,226**	(565)	(684)
Funded from current-year revenue	963	**935**	(28)	30
Alternatively financed	150	**99**	(51)	(72)

[a] Included in program expense. Includes support for project planning and accommodation and facility preservation.

CAPITAL INVESTMENT AND AMORTIZATION [a]

(millions of dollars)

	2008-09 Capital Investment				2008-09 Capital Amortization			
		3rd Quarter	Change from			3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter	Budget	Forecast	Budget	2nd Quarter
Legislative Assembly	2	**2**	-	-	1	**1**	-	-
Aboriginal Relations	-	**-**	-	-	-	**-**	-	-
Advanced Education and Technology	10	**10**	-	-	8	**6**	(2)	(2)
Agriculture and Rural Development	13	**19**	6	3	13	**13**	-	-
Children and Youth Services	2	**2**	-	-	4	**4**	-	-
Culture and Community Spirit	3	**6**	3	1	2	**2**	-	-
Education	1	**5**	4	2	1	**1**	-	-
Employment and Immigration	4	**7**	3	3	3	**3**	-	-
Energy	23	**22**	(1)	-	17	**17**	-	-
Environment	3	**3**	-	-	22	**22**	-	-
Executive Council	-	**-**	-	-	-	**-**	-	-
Finance and Enterprise	14	**11**	(3)	(3)	8	**6**	(2)	-
Health and Wellness	70	**81**	11	(2)	69	**67**	(2)	(2)
Housing and Urban Affairs	-	**2**	2	2	24	**24**	-	-
Infrastructure	470	**294**	(176)	(154)	72	**72**	-	-
International and Intergovernmental Relations	-	**-**	-	-	-	**-**	-	-
Justice	4	**3**	(1)	(1)	8	**8**	-	-
Municipal Affairs	1	**2**	1	1	2	**2**	-	-
Seniors and Community Supports	5	**5**	-	-	1	**1**	-	-
Service Alberta	42	**76**	34	(2)	38	**38**	-	-
Solicitor General and Public Security	24	**6**	(18)	(1)	2	**2**	-	-
Sustainable Resource Development	33	**45**	12	(3)	13	**13**	-	-
Tourism, Parks and Recreation	36	**40**	4	-	13	**12**	(1)	(1)
Transportation	1,936	**2,041**	105	139	315	**315**	-	-
Treasury Board	1	**-**	(1)	-	1	**1**	-	-
Provision for capital cost escalation	120	**-**	(120)	(121)	-	**-**	-	-
Total Capital Investment/Amortization	2,817	**2,682**	(135)	(136)	637	**630**	(7)	(5)
Funded from the Capital Account	2,074	**1,608**	(466)	(126)				
Funded from current-year revenue	698	**691**	(7)	(10)				
Alternatively financed	45	**383**	338	-				

[a] Capital Investment includes purchases of inventory. Capital Amortization includes consumption of inventory.

ALBERTA SUSTAINABILITY FUND

(millions of dollars)

	2008-09			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Assets at Start of Year	7,653	**7,653**	-	-
Transfers to (withdrawals from) the Sustainability Fund				
Non-renewable resource revenue above $5.3 billion	6,409	**6,989**	580	(2,267)
Other net transfers				
Withdrawal to balance budget due to lower non-energy revenue	-	**(1,426)**	(1,426)	(1,426)
Change in non-energy revenue	-	**(2,270)**	(2,270)	(763)
Change in dedicated revenue / expense [a]	-	**108**	108	-
Decrease (increase) in debt servicing costs	-	**5**	5	3
Withdrawals for disasters/emergencies/natural gas rebates				
Disaster/emergency assistance	(50)	**(517)**	(467)	11
Natural gas rebates	(325)	**(227)**	98	153
Net transfer to Sustainability Fund	6,034	**2,662**	(3,372)	(4,145)
Adjustments				
2007-08 fourth quarter results [b]	49	**928**	879	-
Cash transfered to Capital Account for current-year capital grants	(4,791)	**(4,226)**	565	684
Cash adjustments (see table below)	(864)	**2,931**	3,795	1,881
Total adjustments	(5,606)	**(367)**	5,239	2,564
Assets Prior to Allocation	8,081	**9,948**	1,867	(1,581)
Allocation to:				
Savings				
Heritage Fund - inflation proofing [c]	(279)	-	279	-
Heritage Fund - deposit	(19)	-	19	-
Capital				
Carbon Capture and Storage	-	**(2,000)**	(2,000)	-
Green TRIP	-	**(195)**	(195)	1,581
Capital Account	(30)	-	30	-
Alberta Enterprise Corporation	(100)	**(100)**	-	-
Assets at End of Year	7,653	**7,653**	-	-

[a] The $108 million net decrease in dedicated revenue-expense includes a net $49 million in capital expense lapses. The Expense Summary table on page 5 shows a $59 million net decrease in dedicated revenue/operating expense, as the $49 million lapse is included in the capital grants and amortization numbers.

[b] The cash from the higher-than-forecast 2007-08 fourth quarter results was transferred into the Sustainability Fund in 2008-09.

[c] Inflation proofing is not a legal requirement if the Heritage Fund does not have realized income for the fiscal year.

CASH ADJUSTMENTS/REQUIREMENTS

(millions of dollars)

	2008-09			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Capital Investment cash requirements	(2,074)	**(1,608)**	466	126
Retained income of funds and agencies [a]	(144)	**11**	155	(100)
Adjustment for Heritage Fund / endowment losses	-	**2,959**	2,959	2,039
Cash adjustments				
Energy royalties	(222)	**798**	1,020	440
Other	47	**130**	83	42
Contingency Allowance	(325)	**143**	468	249
Net withdrawal from Capital Account	1,529	**498**	(1,031)	(810)
Total cash adjustments/requirements	(1,189)	**2,931**	4,120	1,987

[a] Due primarily to retained income of Alberta Treasury Branches, Agriculture Financial Services Corporation and other funds and agencies.

ACTUAL RESULTS

FOR THE FIRST NINE MONTHS OF 2008–09

METHOD OF CONSOLIDATION

This financial summary is prepared on the same basis as used in *Budget 2008*, which reflects the organization of government effective on April 1, 2008.

The results of all government departments, funds and agencies, except those designated as commercial enterprises, are consolidated on a line-by-line basis. Revenue and expense transactions between consolidated entities have been eliminated.

The accounts of Crown-controlled corporations and provincial agencies designated as commercial enterprises are included on the modified equity basis, the equity being computed in accordance with Canadian generally accepted accounting principles applicable to those entities.

The accounts of Crown-controlled SUCH sector organizations such as school boards, universities, colleges, technical institutes and regional health authorities that are controlled by the government are not included in this fiscal summary. These Crown-controlled entities are included in the consolidated financial statements forming part of the Government of Alberta Annual Report.

BASIS OF FINANCIAL REPORTING

The consolidated fiscal summary reports revenue (including gains and losses from sale of capital assets), expense (including amortization of capital assets), and net revenue.

Revenue and expense are recorded using the accrual basis of accounting. Cash received for goods or services which have not been provided by period end is recorded as unearned revenue.

Expense includes the province's cash payments towards the unfunded pension obligations. Expense excludes the change in the unfunded pension obligations, which is a non-cash expense that does not affect borrowing requirements.

Debt servicing costs include interest payable and amortization of discount on debt issues.

Comparative 2007-08 figures have been restated where necessary to conform to the 2008-09 presentation.

CONSOLIDATED FISCAL SUMMARY

(millions of dollars)

	First Nine Months		
	2008-09	2007-08	Change
Revenue			
Income taxes	8,941	9,433	(492)
Other taxes	2,611	2,694	(83)
Non-renewable resource revenue	11,080	8,155	2,925
Transfers from Government of Canada	2,816	2,516	300
Net income from commercial operations	1,816	1,951	(135)
Premiums, fees and licences	1,635	1,493	142
Investment income	(1,416)	2,299	(3,715)
Other	467	410	57
Total Revenue	**27,950**	**28,951**	**(1,001)**
Expense			
Program Expense			
Legislative Assembly	64	54	10
Aboriginal Relations	64	39	25
Advanced Education and Technology	2,499	2,377	122
Agriculture and Rural Development	1,298	741	557
Children and Youth Services	801	700	101
Culture and Community Spirit	252	224	28
Education	3,973	3,770	203
Employment and Immigration	662	583	79
Energy	201	165	36
Environment	125	107	18
Executive Council	18	17	1
Finance and Enterprise	652	722	(70)
Health and Wellness	8,821	8,179	642
Housing and Urban Affairs	266	230	36
Infrastructure	438	321	117
International and Intergovernmental Relations	19	16	3
Justice	311	270	41
Municipal Affairs	623	399	224
Seniors and Community Supports	1,283	1,237	46
Service Alberta	200	177	23
Solicitor General and Public Security	417	366	51
Sustainable Resource Development	370	360	10
Tourism, Parks and Recreation	138	191	(53)
Transportation	1,555	1,571	(16)
Treasury Board	28	26	2
Total Program Expense	**25,078**	**22,842**	**2,236**
Debt servicing costs	162	157	5
Total Expense	**25,240**	**22,999**	**2,241**
Net Revenue	**2,710**	**5,952**	**(3,242)**

PRODUCED BY

Alberta
Finance and Enterprise